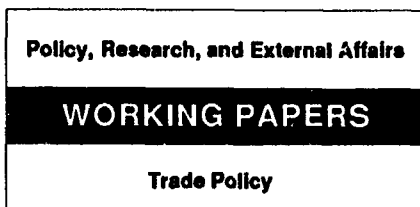


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# Development Assistance Gone Wrong

## Why Support Services Have Failed to Expand Exports

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Policies impeding and neglecting the development of commercial services are a significant cause of the difficulties developing countries experience trying to expand exports. It is misguided to entrust public sector trade organizations with primary responsibility for providing exporters with support services that are better provided by private commercial enterprises.

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This paper — a product of the Trade Policy Division, Country Economics Department — is part of a larger effort in PRE to study export development and supply response. Copies are available free from the World Bank, 1818 H Street NW, Washington, DC 20433. Please contact Sheila Fallon, room N10-017, extension 37947 (40 pages).

For more than 20 years, aid organizations have helped developing countries supply export promotion, marketing, and other services to assist exports. Manufactured exports have been especially sought, though typically the policy environment for them remains no more than partly satisfactory. Public sector trade promotion organizations, the main recipients of this aid, turn out to be rarely satisfactory at providing practical information, assistance, and support for export expansion in such a setting.

Keesing and Singer identify four reasons why external assistance to support services has been generally ineffective in expanding manufactured exports:

- The legacy of import substitution in developing countries includes deep-seated attitudes that work against exports, along with outdated production technology, low product quality, poor services to customers, and business skills unsuited to exports. Regulation still impedes market responsiveness, while unfavorable policies have deprived local businesses of export know-how. Thus, the task is huge.

- External assistance for support services has rarely been directed toward helping export firms overcome their production problems, improve their supply capabilities, or adapt what they supply to the requirements of the target market. There has been systematic neglect of firms' need for expert advice in these crucial areas.

- Donor agencies that provide funding and advice in this field almost never insist on results or even require that progress be monitored in terms of exports achieved. Too many donor agencies with money to give away chase too few good project opportunities.

The International Trade Center is not in a position to reject a request for an unpromising use of UNDP funds and is not allowed to recommend policies. And donor agencies are seldom successful at extending their impact beyond government.

- Support for the marketing of manufactured exports has usually been provided through an inappropriate delivery mechanism, a single public service supplier in which officials try to provide many services, free of charge. This has been ineffective in countries with only partly satisfactory policies toward manufactured exports. Donors have been committed to a strategy of institution-building but permanent trade promotion organizations set up early in development turn out to be poorly suited to a developing country's later export needs. They even become a vested interest against needed change. The complexity of the task, lack of competition in services, deficiencies of public officials in a service role, and rigid procedures contribute to their poor results. In some countries, systematic assistance to export marketing has been worse than ineffective because it has diverted attention from the fundamental need for policy reform.

Most developing countries assume that "export promotion" is inherently a government task. But what developing countries need most is access to services from outside the firm that can compensate for the limited expertise within it. The required expertise is rarely found in public sector organizations. New approaches in this field center on the provision of consultants from more advanced countries to work with exporters on their production and supply problems.

See also the companion paper, WPS 544.

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Has outside development assistance to institutions that provide export promotion, marketing, and services support to exporters, actually been effective in expanding exports? We investigated this question

This study was carried out using resources from the Trade Policy Division of the Country Economics Department of the World Bank.

The authors would like to express great appreciation to the many organizations that cooperated with the research by supplying interviewees and other valuable sources of information: the International Trade Centre of UNCTAD/GATT, where a large number of people were interviewed; the units most concerned with trade promotion in Directorates-General I (External Relations) and VIII (Development) of the Commission of the European Communities; the Export Marketing Development Division of the Commonwealth Secretariat; the Developing Countries Trade Agency and British Overseas Trade Board in the United Kingdom; the United States Agency for International Development; the Irish Export Board (Corás Tráchtála or CTT) and the Trade Development Institute of Ireland; the Center for the Promotion of Imports from Developing Countries (CBI) in the Netherlands; the Federal Office for Trade Information (BFAI) in the Federal Republic of Germany; the Swedish Trade Council; the Federal Economic Chamber (BWK) in Austria; l'Office Suisse d'Expansion Commerciale (OSEC) in Switzerland; the China External Trade Development Council (CETRA) in Taiwan, China; the Hong Kong Trade Development Council; Singapore's Trade Development Board; overseas offices (particularly in Singapore) of the Korean Trade Organization (KOTRA); and the Australian Trade Commission (AUSTRADE) and New Zealand's Trade Development Board, both interviewed in their London offices. Thanks are also extended to the many World Bank staff members and consultants who were interviewed and contributed information for this study.

We received valuable comments and suggestions on earlier drafts have been received from many people and we would like to thank all of you. Our greatest debt is for detailed critical comments from several of the most senior people in the field of trade promotion: Michael Deeny, Paul Hogan, Camilo Jaramillo, Gabriel P. Lee, and Victor Santiapillai. Each disagrees with us on some points. Together they persuaded us to make significant revisions.

as part of a study on how to improve assistance to support services for manufactured exports in the many developing market economies where the value of such exports has become quite substantial, while the policy environment toward them is still only partly satisfactory.<sup>1</sup> The support services focused on are export promotion, marketing assistance, consultant advice, and provision of export-related information. A companion paper presents our findings and recommendations on how to achieve much better results from assistance to these services.<sup>2</sup>

The evidence examined indicates that to date, assistance in these services has rarely been effective in systematically expanding exports. Considerable amounts of aid resources have been expended on such assistance during the last 20 years, yet very little direct impact on exports can be demonstrated.<sup>3</sup> However, new approaches just beginning to be introduced hold out some promise of better results in the future.

In addition to reviewing relevant documents we interviewed a large number of people who have long experience in this field. They

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1 Over thirty economies clearly fit this description. They include all the more populous developing market or mixed economies outside Sub-Saharan Africa, apart from those such as the Republic of Korea or Portugal which have already achieved suitable policies.

2 "Assisting Manufactured Exports Through Services: New Methods and Improved Policies", to appear shortly in the Policy, Research and External Affairs Working Paper series of the World Bank.

3 Though we did not systematically investigate the effectiveness of promotion and support services in expanding primary exports, almost all the people interviewed were quite negative about the effectiveness of existing approaches in promoting exports in general, not just manufactured exports. Their comments, moreover, almost always applied to all the developing countries they knew, other than the East Asian newly industrializing economies.

included senior staff of almost all the leading organizations that provide development assistance in this area, as well as officials of national trade promotion organizations in developed market economy countries and newly industrializing economies. We did not visit any developing country trade promotion organizations as part of this research, but between us we have visited more than a dozen of them for other purposes.

Our principal conclusions on the situation up to now are based on an overwhelming preponderance of the views and evidence available to us. The virtual consensus does not extend, however, to historical explanations of how this situation has come about nor what to do about it.

Most developing countries rely on one or more trade promotion organizations (TPOs) within the public sector for export promotion and marketing services. However, in developing countries with no more than partly satisfactory policies toward manufactured exports, organizations manned by public officials have nearly always proved unsatisfactory in providing practical information, assistance, and support services for expanding manufactured exports. Unable to be as selective or as expert in their advice as the task requires, and poorly suited for providing the production-related assistance and business services exporters need such organizations readily allow themselves to be deflected into policy, administrative, or regulatory tasks that conflict with the provision of export support services. Many face almost no private competition. This is in sharp contrast to the situation in the developed market economies and the successful East Asian exporters, where many competing private service firms and associations offer relevant services.

Shortcomings in the policy framework and level of development have contributed to the poor performance of developing country trade promotion organizations, but in addition, the reliance on public TPOs to provide trade information and support services has, in our judgment, proved a misguided means of expanding exports. However, the failure of this approach and, indeed, of most outside assistance in this area, does not mean that trade support services are unimportant for export performance. Rather, East Asian experience and several other indications suggest that in favorable circumstances the impact of support services on exports can be substantial (See Keesing 1988 for a discussion of the leading East Asian trade promotion organizations).

#### Why Support Services in Developing Countries are Ineffective

Our findings suggest that a combination of four primary reasons explains the general ineffectiveness of external assistance to support services for manufactured exports:

1. The legacy of import substitution in developing countries has increased the complexity of the effort required, particularly in changing deep-rooted attitudes and motivations that work against exports.
2. External assistance for support services has rarely been directed toward helping exporting firms overcome their production problems, improve their supply capabilities, or adapt what they supply to the requirements of the target market. Yet these supply aspects of

exporting are central to export success and tend to be the most difficult tasks for developing country exporters.

3. The donor agencies that provide funding and advice in this field have not been sufficiently concerned with the impact of their funds in expanding exports and have generally lacked the power or the determination needed to insist that a strong positive impact be achieved.
4. Support and assistance for the marketing of manufactured exports have usually been provided through an inappropriate delivery mechanism in the form of a single public service supplier, involved in other activities, that delivers nearly all services free of charge. This delivery mechanism has not proved effective in developing countries with policies not yet strongly supportive of manufactured exports.

These four influences and the difficulties they create are the focus of most of this paper. Recent changes and promising experiments in donor programs are described toward the end of the paper. Our companion paper focuses on how to improve the situation.

#### The Legacy from Import Substitution

Until recently import substitution policies have prevailed in almost all developing countries. These policies have led to the imposition of tight restrictions on imports and to many other controls. As a result, overall growth performance has deteriorated amidst shortages of foreign exchange and other resources. Another usual outcome has been a lack of competition in domestic industries and the emergence of soft sellers' markets riddled with shortages. Deficiencies have become or remained severe in areas important for export success, such as packaging skills, modern production technologies, and support services for exports.

The legacy of these policies has also been detrimental to manufactured exports in other important areas as discussed below.

The wrong skills, the wrong attitudes. Business success under an import substitution regime depends primarily on the ability to obtain from government regulators whatever is most needed to make profits: exclusive access to scarce imports, duty exemptions on imported inputs, high rates of protection, and so on. Thus business people have become skilled at "rent-seeking." Public officials have responded by further regulating supply and setting up ubiquitous controls. Meanwhile business skills relating to innovation, responsiveness to buyer preferences, marketing, quality control, tight cost control, and production efficiency have generally been neglected. Business people have become insensitive to buyers' preferences, so that teaching them how to export calls for reversing their basic business attitudes.<sup>4</sup> These wrong attitudes become an enormous obstacle to export success when policies begin to move toward an outward orientation.

The wrong production base. Import substitution policies encourage the production of copycat products, usually at well below an efficient scale in plants using outdated or inferior technologies. In a soft, easy market with mounting scarcities, product quality often deteriorates. By the time policies begin to change in an export-oriented direction, prices are

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<sup>4</sup> According to CBI, the Netherlands organization promoting imports from developing countries, the most common complaints from Dutch importers doing business with developing countries are (a) delays in replying or inability to contact suppliers; (b) inconsistent quality, especially "finish"; and (c) late, irregular, or incomplete deliveries. Such complaints, echoed by importers elsewhere, are the legacy of soft domestic sellers' markets.



generally high, the quality of products is low, and the quality of service to customers is poor or nonexistent.

Responsiveness slowed by regulation. Import substitution policies typically leave developing countries with rigid bureaucratic controls on many of the aspects of business activity that are critical to success in exporting. When far-sighted entrepreneurs do try to export, controls on investment, restrictions on imports, exchange controls, other regulatory controls, and credit rationing impede adjustment of their production facilities. Controls obstruct their efforts to obtain needed inputs and services and to sell their products and production capabilities.

Lack of export know-how. Unfavorable policies have deprived local businesses of know-how in manufacturing for export. Manufactured products for export to developed countries are generally quite different from anything produced for local markets. Exports nearly always have to be shipped as complete packages, ready for the end user. Thus they must meet all buyer specifications concerning packaging requirements (for example, labels, printed instructions, exterior printing, and packing materials), as well as those related to raw materials, color, finish, styling, and technical features. For many products, designs and specifications change rapidly. Developing country exporters thus have to organize many unfamiliar tasks and meet many demanding criteria at once. Examples of the criteria they must meet are presented in table 1, which is based on answers to a questionnaire sent to a cross-section of U.S. importers buying exports from developing countries. Experience in a highly protected developing country market does not prepare firms to meet these criteria.

Table 1 page 7

Moreover, lack of experience is in itself a serious handicap. Most buyers prefer to place orders with suppliers who already have considerable export experience and know-how and who can be expected to perform everything that is required reliably (see Keesing and Lall forthcoming; Keesing 1983).

### Neglect of Supply Aspects of Exporting

Nearly all external assistance to developing country support services for export expansion has shared a central deficiency. This deficiency is a systematic neglect of firms' need for expert advice on production for export, and the closely related tasks of upgrading the firm's supply capabilities and adjusting what is supplied to the requirements of the target market or markets. Advice on production, other supply tasks, and associated management tasks has rarely been systematically provided by official trade promotion organizations, either directly or through consultants.<sup>5</sup> Recent innovations in donor assistance in this field consist mainly of ways to supply these missing services, which have turned out to be what entrepreneurs most want (and need) to expand exports from their enterprises. Nearly always the service suppliers have to be brought in from more advanced economies.

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5 A few TPOs have taken a more inclusive view of their marketing responsibilities and have become involved in design and packaging. However, effective programs in design and related areas appear almost entirely limited to TPOs in fairly advanced, industrializing economies, such as Ireland, Singapore, and Taiwan, China.

In exceptional economies with fully satisfactory policies toward manufactured exports, particularly the Republic of Korea, Singapore, and Taiwan, China, public service institutions that have been set up to help industry in such areas as productivity, technology, standards, and overall development have actively contributed to export expansion by helping exporters with their supply tasks. This is rarely the case with analogous institutions in countries with less than fully satisfactory policies toward manufactured exports.<sup>6</sup>

The importance of upgrading supply is obvious. In a market economy, a manufacturing business must maintain a very close relationship between marketing and production. Supply must be adjusted to what the market is looking for, while sales must be based on what the business can reliably supply. The firm must update and improve its production methods to keep up with the competition.

For developing country firms looking for export orders from buyers (importers) from major developed country markets, what counts in

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6 This can be inferred from research findings by Carl Dahlman and others, both inside and outside the World Bank, on technology development and institutions concerned with technology diffusion in various industrializing countries. Institutional arrangements involved in this assistance varied enormously among the three economies named. However, each of the three has evidently been able to find and enlist consultants who have the requisite know-how. In economies with Chinese populations, many of these experts were drawn from industries of pre-1949 Shanghai, Hong Kong, and the developed countries.

marketing is the buyer's perception of the exporting firm's supply capabilities and its readiness to fulfill all aspects of the order. The buyer will also be concerned with the firm's reliability as a supplier, taking into account its location and the country's policies. While the specifications of what is to be produced are likely to vary from one order to another, each order is inflexible in its requirements regarding quality, price, and on-time delivery. Inability to meet any aspect of the very detailed specifications disqualifies a manufacturer (or industry or country) as a source of supply (see for example, Egan and Mody 1990; Keesing 1983).

Supply performance is always crucial in exporting manufactured products to developed country markets. Each firm in its specialties must reach high standards close to international best practice for its range of products and its segment of the market. In this situation, advice from first-rate consultants can make an enormous difference and is often what is most needed to expand exports. This advice complements policy improvements that make exports feasible and potentially profitable.

Exporters must also learn how to convince buyers of their strengths and supply capabilities, and they must develop a marketing strategy and learn which orders to seek and accept. But as a rule, challenges such as these are not as difficult as acquiring the requisite supply capabilities.

In developing countries, neglect of the supply aspects of exporting arises partly because they set up trade promotion organizations in imitation of those that already existed elsewhere. Disregard for the production-related aspects of exports has been pervasive in trade promotion efforts in developed countries throughout the 20th century. The implicit strategy has been to leave supply to the private sector. Neglect also stems from the way governments are organized. Most draw a sharp division between export marketing, which they view as part of international trade, and export production, which they see as an activity within industry. Helping businesses sell exports is viewed as a concern of trade officials, but industrial production is not.

By the time the International Trade Centre (ITC) was created in Geneva in 1964, with trade promotion in developing countries as its area of concern, this approach was firmly entrenched.<sup>7 8</sup>

#### Donor Lack of Leverage and Acceptance of Low Impact

Donors and international organizations that provide export marketing assistance to developing countries almost never insist on results, or even require that progress be monitored in terms of exports

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7 ITC, headquartered in Geneva, has since 1968 been a joint subsidiary organ of the General Agreement of Tariffs and Trade (GATT) and the United Nations acting through the United Nations Conference on Trade and Development (UNCTAD).

8 Most of the industrialized countries set up public sector organizations or government units to promote exports between the 1920s and the early 1950s. TPOs then spread to intermediate economies such as Ireland (1952) and Israel (1958) and also began to spread to developing countries.

achieved. Rarely do they insist that their assistance be concentrated in areas where it will have a significant impact on overcoming the major constraints to export expansion, nor do they make assistance conditional on improvements in policies or policy implementation. Rather, they tend to offer grant assistance for purposes not dependably connected with export results: for establishing permanent export promotion institutions, funding some of their activities and programs, training their staff, strengthening their information systems, or supporting of the country's participation in trade fairs. Too often the donors and agencies treat such actions as ends in themselves, independent of the exports that may or may not result from them.

This mode of operation is partly a consequence of the International Trade Centre's influence. Assistance to export promotion and related services in developing countries is the ITC's principal mandate. However, ITC and certain other leading organizations that provide such assistance have only limited powers and instruments, which give them little leverage over developing countries' export policies. These international TPOs are not supposed to recommend policies to developing countries, nor are they free to choose the countries and policy environments in which they provide assistance. Rather, they are supposed to respond to requests from developing countries. Thus the recipients soon learn that they can determine which of their institutions will receive assistance, for what purposes, and in what policy environment.

Lack of leverage in influencing its own programs is in our view particularly serious in ITC. It has also been a problem in Directorate General VIII - Development (DG8) of the European Commission in Brussels,

which administers aid to African, Caribbean, and Pacific countries under the Lomé Conventions, and in the Commonwealth Secretariat, which administers the Commonwealth Fund for Technical Cooperation.

Meanwhile other donors and executing agencies, including the World Bank and bilateral assistance agencies, that do have some latitude to require major reforms or export results as a condition of their assistance in this area, at times lack the determination to do so. Moreover, at times their staff and consultants have simply applied the traditional approaches that the major providers of international assistance in this field have shaped. The World Bank has pushed for policy reforms in many of its recent loans that have included assistance to services, but in the project components relating to services, it has resorted fairly often to traditional public service approaches.

One reason donors lack determination and do not demand reforms is that several donors are trying to give away money in this area, so recipient countries often play them off against each other to get what they want. Too many donor agencies with too much money to give away are chasing too few good project opportunities. The result is a sort of grant recipients' market that some refer to as "aid pollution." One person interviewed cited the case of a developing country that was being offered advice and aid relating to export expansion from 14 separate agencies.

Nearly two-thirds of ITC funds for assistance projects in developing countries come from United Nations Development Programme (UNDP) allocations, which are made in advance based on a formula that reflects population and poverty. For the recipient country these grant allocations serve, in effect, as an entitlement, allowing it to obtain assistance from



its choice of operating agencies in the U.N. system (ITC, U.N. Industrial Development Organization, U.N. Educational Scientific and Cultural Organization, World Health Organization, and others).

If a country chooses to use its UNDP funds for trade promotion, ITC normally serves as the implementing agency. As a result, ITC is not in a good position to reject a request for an unpromising use of UNDP funds. If the recipient country wishes to spend some or all of its allocation on totally ineffective activities, for instance, futile trade missions to impossible markets or useless tours for senior trade officials, ITC can try to persuade the country to do something else, but is virtually obliged to support the requested activities if the recipient government insists. Similarly, funds administered for trade development by DG8 of the European Community are allocated in advance and treated as entitlements, usable in this area or in others.

One result of this institutional arrangement is that external assistance agencies have built up a tolerance to projects that are attractive to the recipient government and its public servants, but ineffective as a means of achieving export expansion.

Donor agencies often continue to fund technical assistance year after year in countries where the policy environment remains strongly biased against exports. They sometimes claim that a sustained aid relationship allows external advisers to make a systematic effort to persuade the country to change its policies, but this has been a feeble way to try to influence policies.

Another serious consequence of this arrangement is that donor agencies have seldom succeeded in extending their influence and impact

beyond government, and into the business community. This is especially the case where business people generally mistrust the government and view its controls and interventions negatively.

A further consequence is that donor agencies are forced to go along with projects with mixed objectives. In much of Africa and parts of Southeast Asia, indigenization of business (replacing ethnic minorities) can be as important a goal to the recipient government as export expansion. Governments also expect to blend other objectives in with export expansion, such as rural employment in cottage industries, dispersion of industry away from the capital, and issues of regional equity. The usual effect of such mixed objectives is to weaken the impact on exports still further, or even to make it negative.

#### An Ineffective Service-Delivery Mechanism

A further important influence on export promotion activities has been the strong commitment of important donors to a strategy of institution building. The basic concept is that technical assistance should not confine itself to a short-term injection of foreign advice and expertise, but some of this expertise should be left behind in the recipient country so that the effect is sustained rather than transitory. The UNDP's commitment to institution building is particularly strong, but it is shared in varying degrees by ITC and some other donor agencies.

In our view, the institutions created early on are not what a country needs later, and donors can create better institutional results as a side benefit of pursuing exports as the primary objective. Moreover, the institution building principle detracts from the primacy of the

objective of helping the developing country achieve export expansion and structural adjustment.<sup>9</sup>

A particularly serious problem has been the widespread assumption by donors and recipients alike that institution building means, in practice, the building of permanent institutions within the public sector.<sup>10</sup> Thus, for example, ITC's promotional literature describes its second most important activity, after establishing a national trade promotion strategy, as "establishing appropriate government institutions and services." This activity has led to the widespread creation of official trade promotion organizations that are ineffective and unsuited to developing countries' future needs.

In most cases these permanent organizations were set up during early stages in the country's development, when the legacy from import

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9 One way agencies have implemented institution building is to designate a local "counterpart," nominated by the recipient government, for nearly every external adviser. This approach has biased technical assistance toward public service institutions, regardless of their suitability for specific tasks. Since overseas travel is typically a government-rationed luxury, the job of counterpart tends to be highly valued, thus the selection process tends to be influenced by political and other extraneous concerns. Counterparts chosen in this way often have no intention of using directly the experience gained. Much promotion activity is therefore burdened with unsuitable counterparts, lacking any real commitment to the task. This diverts the attention of the foreign consultant and increases the cynicism of the business participants.

10 When suggestions are made about relying heavily on private sector services, senior staff in international organizations such as ITC often respond with doubts. Issues raised include whether private chambers and associations can obtain money on the scale needed for export promotion, since they tend to be weak financially; whether local export firms can be persuaded to seek paid private services; and whether local consultants know enough about exports to be worth hiring. These are important problems that do influence what can be done. (ITC does assist private chambers of commerce in providing their members with export-related information and training in how to export in countries where the government asks for such assistance.)

substitution was still predominant. Faced with the huge task of transforming this legacy to an outward orientation emphasizing exports, most developing country governments did not carry out anything like the required reforms, especially when reforms would operate against the self-interest of powerful political constituencies. Even in subsequent years, reforms have tended to be only partial and selective, and not nearly sufficient to create an economic environment truly favorable for exports.

Difficulties in exporting usually remained formidable in the early years of policy adjustment. Access to imported inputs was highly unsatisfactory, while many domestically produced inputs were prohibitively expensive or of unacceptable quality. Exporters had to expend considerable effort obtaining permissions, circumventing restrictions and controls, and contending with shortages, slow and unreliable delivery, poor service, deficient quality of raw materials, unsuitable attitudes and training of employees, and other assorted problems characteristic of a heavily controlled, disequilibrium economy. Access to services and consultants from abroad was generally blocked as well. Thus for most entrepreneurs, exports were still unattractive. Yet it was at this stage or even earlier, before any substantial transformation of import substitution policies had occurred, that most developing countries began to receive external assistance for services to support export expansion, and were encouraged to set up TPOs as permanent institutions to promote exports.

In a market economy, sustained export expansion requires a policy environment that has at least begun to make a substantial number of exporting activities relatively profitable and attractive, compared to other business opportunities. Another important influence on export

expansion during a policy transition is the credibility of the policy changes, that is, whether the government gives clear and consistent signals of its long-term commitment to manufactured export development and an outward orientation. Only when the business community realizes that its longer-term profitability depends on successful adjustment to this new reality will it start to take seriously the difficult task of changing its ways. Pushing the policy transition at least to that point appears to be the fundamental precondition for assistance to exporters through support services to have any possibility of being effective. This situation was not widely understood in countries that very early set up permanent public sector institutions in support of exports -- usually trade promotion organizations -- in hopes of increasing their nontraditional exports.

Experts on export promotion are divided in their opinions on the extent to which the creation of official TPOs in the early stages of transition from import substitution was justified at the time, typically in the 1960s or 1970s, and to what extent (if any) some of the new organizations proved useful in their early years. On balance the results appear to have been at best slight and mixed.

In some countries systematic assistance to export marketing has been worse than ineffective, since it has diverted attention from the fundamental need for policy reform, tempting the government to believe that promotion could work the magic of structural adjustment without the need for difficult policy changes and much sustained hard work.

Further unfortunate consequences of starting so soon have been that most TPOs learned the wrong skills; concentrated on selling products

already being produced, particularly products based on local natural resources; and became discouraged and perfunctory in their marketing-related tasks. They were diverted to other activities, lost promising staff, suffered cuts and uncertainties in funding, learned to fake the effectiveness of what they were doing, and never gained the support of the business community. At the same time, they learned to fight for their survival and their bureaucratic turf.

As policy environments have improved and governments have become committed to somewhat more outward-looking policies, the organizations created early have proved unsuitable for the needs that have emerged and have become an obstacle to the creation of new and better support services. In practice, existing TPOs are almost impervious to efforts to reform them into effective institutions. For example, we know of no instance in which World Bank assistance for this purpose has had the desired lasting effect, although in recent years attempts have been made in at least a dozen countries.

What developing countries need most to support exports at the firm level is for firms to have access to services that can compensate for their own limited expertise. This is true not only for selling exports, but also for adapting production so that firms supply what foreign buyers want. However, nearly all developing countries have opted for a service delivery mechanism that is fundamentally inappropriate for achieving these requirements.

Most developing countries seem to believe that export promotion - not only the task of persuading firms to export, but also the provision of services to support export marketing - is inherently a task for government. The predominant pattern has been to set up a public sector

TPO as the sole or main supplier of most or all services in support of export marketing, and to offer these services free of charge.<sup>11</sup>

Some Characteristics of Public Service Trade Promotion Organizations

Public sector TPOs are now the rule in developing countries. In building their TPOs on this public sector model, many countries appear to have been strongly influenced by donor agencies and their consultants, as well as by existing TPOs in industrial countries. Beyond this, both the donor agencies and the newly independent recipient countries have had strong statist predilections.

Almost all the developing countries' present TPOs obtain their funding from the government, supplemented here or there by foreign aid or by charges for regulatory documents. Three are funded directly by taxpayers through levies on imports (Colombia, Costa Rica, and Sri Lanka). Zimbabwe is now introducing a surcharge on exports and imports for a similar purpose. Only three receive membership fees or contributions from the private sector or from chambers and associations (India, Thailand, and Turkey). (ITC 1988).

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11 A few countries, such as Brazil, India, and the Philippines, have set up more than one major public sector supplier of these services. Those developing countries most inclined to rely on private businesses and the operation of free markets have generally allowed the simultaneous development of private services relating to exports and have encouraged the emergence of private associations and chambers offering some services of their own.

### Problems with the Basic Concept of TPOs

Our search for successful examples of export promotion and marketing organizations and our interview findings on what has gone wrong show that negative experiences have been very much the rule. Despite this, most experts interviewed believe that developing country trade promotion organizations can be, and sometimes are, effective both in providing marketing assistance and in pressing for needed policy improvements, particularly when (or if) they can achieve four crucial conditions, namely, they enjoy the support of the business community, are adequately funded, are staffed with qualified people who are paid commercially competitive salaries, and are somewhat independent of government. Advocates of TPOs are almost always striving to achieve these conditions.

However, TPOs meeting these conditions are virtually nonexistent in practice except in countries with excellent policies and a strong policy commitment to expand manufactured exports. Sustained business support depends on effectiveness and results, which are hard to achieve where policies are only partly satisfactory. Adequate funding, creation of a qualified staff compensated by suitable, commercially competitive salaries and independence from government all depend on discerning support from the government and some support from the business community as well. These conditions are also almost impossible to achieve in a policy environment in which the needs of exports do not receive dependable attention and support. Along with the debilitating effects of not meeting these conditions, TPOs are weakened by confusion and out-of-date notions about their role.



The function of support service supply to exporters has been confused with another function important in developing exports, that of ensuring a continuing dialogue between policy formulators and those most affected by policy changes: the business community. In successful exporting nations, feedback is channeled through a well-developed structure of representative associations or chambers that continuously and aggressively promote the business community viewpoint to the government. Many developing countries, however, have used this need for feedback from business as an argument for a specialized public sector agency to promote both the cause of exports and the needs of exporters.

Our research suggests that a public service organization is not well suited to serve as a mechanism for providing feedback from exporters on policy formulation. Unlike business people, public servants are rarely willing to speak out against bad policies or to criticize policymakers in the ministry they are affiliated with. Moreover, in the early stages of a policy transition, when feedback is vital, issues related to advice on policy tend to dominate the TPO's concerns, to the detriment of its ability to supply useful services. A further consequence of taking a position mid-way between government and exporters is that either party to the dialogue is unlikely to trust the TPO.

Another line of reasoning that has contributed to the persistence of public service TPO's in developed and developing countries alike, starts by noting that the core services provided by most TPO's are "information services." It then contends that the public sector ought to provide information services free of charge on a single-supplier basis, as if information for exporters were merely an extension of the public library's function.

However, the free, centralized provision of information services has not served the interests of export expansion. This approach has starved these services of money, hindered private service providers from entering the market, and retarded the exploitation of new information technologies by discouraging commercial information services. New information technologies, such as on-line data bases, mean that much of the information required for exporting can now be obtained on a pay-as-you-go basis, without the need for large, fixed investments in hard copy library materials. Setting up special libraries is thus no longer the most cost-effective route for providing information for exporters.

Another argument for the state's continuing role in information services is that its diplomatic posts provide privileged access to commercially useful information from foreign governments. However, this does not justify having a public sector TPO operating as a sole supplier of this information. Even this privileged information can readily be disseminated through commercial suppliers that may charge for its use.

#### Relative Effectiveness of Official TPOs

The findings for the developing countries with policies less than fully favorable for manufactured exports contrast with what we have learned about the TPOs and their support services in the successful newly industrializing East Asian economies. TPOs in these are effective and undoubtedly cost-effective.

Three of these organizations were started more than a decade after their economies achieved fully satisfactory policies toward exports, while the fourth (in Korea) seems to have been ineffective until many years after the country attained fully satisfactory policies. Thus, these organizations do not really provide a model for developing countries in policy transition to follow. Indeed, successful organizations were only achieved after a long build-up of experience by private service suppliers, private associations, and small units of government officials concerned with trade (Keesing 1988).

We have also investigated the effectiveness of trade promotion organizations in developed market economies (Seringhaus and Rosson 1980 chapter 2; Singer 1990). Almost all OECD countries have policies that are favorable to manufactured exports and trade promotion organizations, most of which are official. Typically, their central function is to provide trade-related information. In general, their impact on exports seems to be only modest.

Both the successful East Asian economies and the OECD countries encourage private sources of information and specialized assistance that offer services that overlap with those the TPOs provide. Membership associations and chambers of commerce provide advice, training, and information to exporters, as do a wide variety of private service and financial firms.

By contrast, in more than 40 interviews with advisers to developing countries in this field who we asked to cite examples of particularly effective national systems of export development in developing countries, other than the four successful exceptions of East Asia, only three TPOs were typically with only faint praise, by more than

two respondents: those of Thailand and Sri Lanka and one of those in the Philippines.<sup>12</sup>

As for other developing countries, some of the organizations mentioned no more than once or twice are primarily investment promotion units, such as the Mauritius Export Development and Investment Authority (MEDIA). Or else, like Chile's PROCHILE, they have tended to focus on primary exports. In some other cases, the praise was strictly relative or applied only to a brief era in the past.

#### The Public Service Model in Practice

Not only is the public service model fundamentally inappropriate, but our research provides abundant evidence that the developing countries' experience with this model has been almost uniformly negative.

Policies impeding and neglecting the development of commercial services are a significant cause of the difficulties experienced by developing countries that are trying to expand exports. Reliance on a

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12 The one in Thailand is the Department of Export Promotion in the Ministry of Commerce, which has a staff of 517 and gets its officers on rotation from the civil service; that in Sri Lanka is the Export Development Board, with a staff of 229; and the one in the Philippines is the Center for International Trade Exhibitions and Missions, a somewhat smaller organization in competition with other public sector TPOs in the Philippines, with a strong program of design assistance to firms to help them prepare for trade shows. All three benefit from continuing foreign assistance. Many experts consider even these organizations to be weak and their services of dubious value.

public sector TPO for services that are better carried out by private commercial enterprises has contributed to this neglect. Thus, for the reasons given here, we conclude that entrusting the public service with primary responsibility for providing support services to exporters is misguided.

Box 1 presents a sample of the typical negative characteristics of the worst TPOs as culled from the literature and from interviews. Although characteristics are typical of the worst TPOs, they are extremely common in others as well. In our estimation, over half these characteristics are found in the great majority of developing country trade promotion organizations.

Six factors, in particular, have contributed to the ineffectiveness of the public service TPO model: the unsuitability of government employees to the task, the inflexibility of government procedures in regard to expenditures and staffing, the confusion of purpose resulting from the assumption of regulatory and administrative roles, the perpetuation of wrong attitudes and strategies, misguided evenhandedness, and the neglect of the development of commercial services.

Unsuitability of government employees. Public servants adapt badly to the tasks of supplying services to commercial enterprises and promoting business. They are generally not recruited or trained for such tasks. Their fundamental attitudes are geared toward administration, not commercial success, and their interests tend to lie in regulatory tasks and policy design.

The problem of basic attitudes goes even deeper in those developing countries with a strong cultural divide between government officials and the trading community. This divide further reduces the

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**Box 1. Characteristics of Ineffective Trade Promotion Organizations**

**Origins**

- Set up initially on donor agency advice and with donor funding, not as a result of demand from exporters

**Planning and Objectives**

- No corporate planning, individual targets, or measurable departmental objectives
- "Planning" starts with the amount of funds the government will allocate, from which the trade promotion organization then derives its program
- Its role is viewed as carrying out the "national export strategy," policy advice, administrative tasks, and so on rather than being responsible for export expansion
- No consistency in focus: this year it is handicrafts, last year it was spices
- Has never conducted, using its own resources, competent, formal, subsector studies of industries with export potential

**Relationship to Government**

- Government has no faith in trade promotion organization, but refuses to abolish it
- Organization is seriously underfunded, so little or no funds are available for direct assistance to exporters

**Relationship with Business Community**

- Strong cultural divide exists between public servants and the business community, sometimes based on ethnic or caste differences, sometimes merely on lifestyle and attitudes
- Business community needs coaxing to take part in any trade promotion organization activities and is solicited using financial inducements such as free travel
- Instead of immediately distributing useful information widely to exporters, the trade promotion organization retains it as a bargaining chip
- More services are provided to government than to exporters

**Missions and Trade Fairs**

- Missions and trade fairs represent the only significant impact of the trade promotion organization on the business community
- At least one-third of missions consist of trade promotion organization staff or other public servants
- Other participants are selected partly on the basis of noncommercial considerations, such as maintaining regional balance, favoring indigenous entrepreneurs, giving everyone a turn, or by drawing lots
- Missions spend at least one-third of their time overseas meeting government officials and other functionaries
- Missions are mostly "exploratory," and rarely generate orders
- There is no effective follow-up to assess impact

**Relationship to Donor Agencies**

- Organization has been the subject of at least two expert reports proposing major reforms
- Organization has been effective at resisting major reform proposals
- Organization is effective at playing donor agencies off against each other to obtain funding for its favored projects, such as overseas training for its staff, computers for trade information systems, and trade missions and trade fairs to attractive destinations

**Management**

- Chief executive officer is appointed by a ministry and not by an independent board, and while some managers may be effective, others are political appointees and useless
- Most top managers have no commercial experience
- Organization has no effective managerial control over overseas commercial posts (for example, those in the diplomatic service may be controlled by the foreign ministry)

**Staff**

- Public servants are paid so badly that many have second jobs
  - Many spend 80% of their time at their desks and rarely do "cold" calls on firms to promote exporting or their services
  - Organization is overloaded with unmotivated clerical staff who spend most of their time reading papers, chatting, or dozing at their desks
  - Senior staff are actively looking for a way out, preferably a highly paid position with a donor agency in an attractive location
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capacity of the public service to gain the business community confidence. In many developing countries, the public service is considered inherently suspect. The business community has come to expect that officials will exploit their regulatory powers in a negative way.

The low status of work on trade and industry within the government service in many developing countries also makes attracting able staff to trade promotion organizations difficult. The quality of staff is further depressed in many countries by pay freezes which lead to low and declining salaries in real terms. Commonly the TPO is staffed by officials from the regular government service who are rotated to other jobs within three or four years. Thus they have little incentive to build up specialized knowledge and skills relating to export expansion, let alone skills in providing business services to exporters. Whatever they do learn is lost to the TPO when they leave.

Even in developed nations, entrepreneurs doubt the usefulness of public servants as sources of advisory services. In three studies quoted by Seringhaus, three-quarters of the respondents had a negative opinion of the government's ability to assist them in exporting (Seringhaus 1986 pp. 59-60). In the other four studies he cites, about half of the respondent firms had a favorable perception of government assistance.<sup>13</sup>

Inflexibility of government procedures. In most governments in developing countries, expenditures by nearly all public sector agencies are subject to detailed scrutiny based on rigid bureaucratic procedures. For example, detailed travel requests may have to be submitted and justified many months in advance, often as part of the annual budget.

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<sup>13</sup> For a more general view of this subject see Seringhaus and Rosson (1990).

Payment for services may only be allowed on presentation of an invoice after completion of the service. Hiring anyone, even temporarily, can be incredibly difficult. These types of procedures and rules may not be limited to government agencies, but may apply within any not-for-profit institution the state funds. Procedures such as these often make operating a responsive service and promotion organization within the government, or even within the public sector, impractical. Rigid bureaucratic procedures can all too easily waste much of the staff's time and energy and thwart any chance of the organization being effective.

Confusion of purpose. The business community's mistrust of TPOs is deepened in countries where trade promotion organizations are responsible for regulatory tasks. These tasks commonly involve such activities as handling compulsory registration of exporters, providing documents needed to obtain import licenses, and certifying exporters as eligible for export incentives. Exporters who are required to deal with TPO as regulators are rarely inclined to trust them as a source of information or marketing-related services. Even the involvement of a TPO in an administrative role helpful to exporters has a mixed effect on the relationship. Thus, Colombia's PROEXPO provides preshipment export credit for working capital and other financing of exports, while Sri Lanka's Export Development Board administers a wide range of financial incentive programs for exporters. By comparison with this assistance the TPO's role in providing information services is of little concern to exporting firms.

Perpetuation of the wrong attitudes and strategies. Most developing country TPOs have been reactive and poorly informed in their approach to manufactured exports. They have perpetuated the tendency of local firms to underestimate the challenge of moving from domestic to export markets,



not least by encouraging the misguided belief that export success requires only a few good business contacts.

In general, the TPOs have concentrated on the final stage of the marketing process, namely, the active selling stage, by emphasizing trade fair participation, sales missions, and the like. Thus they have tended to bypass the vital preparatory stages of researching and exploring the market and encouraging firms to adapt what they supply to the market's needs. Indeed, seeing themselves as primarily answerable to a ministry, they have also tended to concentrate on large visible group events that get plenty of local press coverage for the TPO and the trade minister, but may do little for export expansion.

Misguided evenhandedness. As international markets are mostly extreme buyers markets, they are highly discriminatory. In each transaction the buyer is usually able to choose a supplier from among hundreds of very willing candidates. Over time, the market will inevitably reject large numbers of would-be market entrants from developing countries.

Public service TPOs are uncomfortable with this characteristic of the market. A general public service tradition holds that the service should not be seen to favor any particular commercial firm. The result is that nearly all public sector TPOs dislike and resist the notion of selecting particular firms for assistance. Instead, they maintain an attitude of evenhandedness and nondiscrimination. At each step, the quest for the appearance of impartiality leads most TPOs to a diluted and diffused effort, and so to a more passive and reactive relationship with firms than is compatible with good results.

Misguided evenhandedness is particularly prevalent in the selection of industries and products for assistance. It is especially

pernicious in its effect when only a few industries are even close to being ready to export, or enjoy anything close to a suitable policy environment. The experience of the Trade Development Authority (TDA) in India provides an example of how nondiscrimination has hampered effective export promotion. TDA was set up in 1970 to provide export assistance on a highly selective basis. Initially it confined itself to a few key products, with only ten clients per product, and only assisted its clients in the demanding markets of Western Europe and North America. As a public service organization, however, it soon found itself under heavy pressure from firms and industries it had not selected, which were complaining that public money was being spent to favor a few selected firms. TDA was unable or unwilling to resist this pressure. As a result, when last visited it had 1,200 members, covered 34 product groups, and extended assistance to exports to 54 countries.

Another area in which misguided evenhandedness can be especially harmful is in the provision of information to potential buyers or importers about potential suppliers. The information that buyers most value about suppliers is how they have performed as exporters, both by absolute standards and relative to other suppliers. Guiding buyers to suitable and dependable suppliers is strongly desirable in the interest of export expansion. Among other advantages, it helps to avoid disastrous failures early on, which can ruin the reputation of the entire country as a source of supply.

The official TPOs in the newly industrializing East Asian economies (Korea, Hong Kong, Singapore, and Taiwan, China) have found ways to give buyers this information. Yet we know of no TPOs in a developing country with policies that are less than fully satisfactory for exports that is willing to provide such information.

Neglect of the development of commercial services. Since TPOs typically perform service tasks badly, the fact that they offer services free of charge does not in itself prevent (although it may slow) the emergence of a private market in commercial services.

What does seriously impede this emergence is the prevalence of developing country policies that discourage competition in services and prevent foreign entrants and foreign investments. Where foreign firms are allowed to operate in services, they are often the information sources most sought out by exporters as well as visiting foreign buyers. All too frequently, however, policies toward private commercial service firms, especially foreign ones, are negative.

Probably even worse in terms of immediate effects on exports, policies of developing countries frequently limit local firms access to commercial service suppliers based in more advanced countries. These are potentially a crucial source of first-rate consultant assistance, marketing advice, information, and practical services for exporters, but until a country's currency becomes convertible, access to these services is generally impeded by tortuous procedures for obtaining foreign exchange. Travel visas may also be inordinately difficult to get. The neglect of commercial services in each of these contexts is typically based on a distorted view of what the public sector is able to provide, as well as on a low regard for the economic importance of providing services compared to producing goods.

#### The Beginnings of Change: New Approaches in Outside Assistance

Some of the assistance providers in the export promotion field have been influenced in recent years by new approaches and experiments, as well as by severe criticism of previous approaches. These new approaches

include giving aid to and through the private sector; helping exporting enterprises directly, not least by providing supply-related assistance; and offering matching grants to exporting firms to help them pay for services. The result has been a noticeable modification of the approaches pursued in a majority of the organizations visited, including for example, the Center for the Promotion of Imports from Developing Countries (CBI) in the Netherlands, the Developing Country Trade Agency (DeCTA) in the United Kingdom, the Irish Export Board/Corás Tráchtála in Ireland, and the U.S. Agency for International Development. However, change has been slow and the old approaches still predominate overall.

#### Increased Attention to Integrated Projects and Supply Issues

A particularly dramatic change has taken place in the assistance programs of the European Community (EC), especially its Directorate General I - External Relations (DG1), which administers EC assistance to developing countries in Asia, Latin America, and the Mediterranean region. The EC rivals ITC in the size of its project expenditures relating to trade promotion, but has only a tiny staff in this area. Thus it relies heavily on consultant firms to run its projects. The big change came about primarily as a result of self-evaluation, assisted by an evaluation study on the EC's trade promotion program undertaken between 1983 and 1985 by the Irish Export Board and a German consulting firm, MPR Braunschweig. Their report was strongly critical, as these excerpts from the summary of findings demonstrate:

"There was no direct relationship between the trade promotion activities themselves. They were treated as separate items ... not ... a unified coherent package with a distinct and discernible objective. As a result the programmes had limited effect.

"It could not be said that the programme noticeably strengthened the institutions or enhanced their role to a discernible extent.

"There was little or no follow-up to the activities financed. Each activity was in effect an independent isolated event ....

"There was little indication of long-term impact on the self-sustaining trade capability of the countries".

Other major points were equally telling: there seemed to be no overall strategy; nothing was being done to address constraints relating to supply capabilities; actions did not come together to create a coordinated effort addressing particular products and markets, so that measures were actually in conflict sometimes; and too little intermediate and follow-up evaluation was done in the course of implementing projects.

Reevaluation of the existing programs led the EC to a decision in April 1986 that helped transform DG1's approach and also influenced what was done in DG8's program for the African, Caribbean, and Pacific countries. The new approach aimed at the "development of trade in goods and services" based on action from the production stage up to final distribution. It emphasized integrated (and by implication realistic and coherent) policy, specific objectives, practical evaluation, and coordinated action, above all in production and marketing. Among its features, this new approach has been characterized in practice by an unwillingness to assist sales promotion measures without prior efforts to address supply constraints; by integrated major projects lasting three to five years, usually dealing with specific product groups and services and emphasizing an early concentration on supply issues; and by regular intermediate evaluation to adjust projects to new circumstances and new information.

Officials of developing countries TPOs assisted in this new way have responded favorably and are taking their own involvement more seriously. The approach has also focused new attention on constraints that must be overcome in the policy environment of the recipient country.

The report and the EC's turn around have had less influence in other assistance organizations to which much the same criticisms would apply. Most cannot turn their programs around as readily because of their reactive relationship to the recipient countries, the role of budget entitlements in their programs, and their responsibility to so many countries at once.

ITC, however, has begun a significant initiative of its own, called "the enterprise-oriented approach." First introduced experimentally and now receiving broader application, this approach directs consultancy and marketing assistance to selected enterprises in selected industries. The enterprise-oriented approach has many elements in common with DGI's new integrated projects which start by providing supply-related assistance.<sup>14</sup> It also has much in common with DeCTA's integrated project currently being implemented in India, which provides assistance starting with production and related aspects of supply to promising firms making a few selected export products. However, unlike DeCTA, ITC does not charge for any of its assistance to enterprises.

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14 Expert consulting advice that gives systematic attention to the supply aspects of exporting is by no means a new element in technical assistance projects in this field. Some of USAID's assistance projects in the 1960s were enlightened in this respect. As an example, technical assistance to firms in the shoe industry in Spain, provided for USAID by a retired shoe buyer (Lou Feeman) from a large U.S. retail chain, almost single-handedly launched that country's shoe exports, which are now among the world's largest.

(Thus selection of firms and industries to be assisted tends to be more arbitrary.) Some USAID projects also provide supply-oriented assistance to firms, for instance, in Honduras in support of a private export promotion organization (FIDE), as part of USAID's worldwide effort to strengthen and promote the private sector in industry and exports.

ITC's enterprise approach grew largely out of experience in multicountry projects in Asia that included some advice on practical supply-related problems, both in individual firms and on a product-group basis. ITC launched its first enterprise-oriented projects in 1986 in China and Honduras. In China, consultants have been working with four firms in the furniture industry and three in the silk garment industry, as well as the state trading firms that market their products. Customers from Western markets place the orders and supply the designs, while the consultants help teach the firms to reorganize production and management to meet the orders and to get new orders. In Honduras, the project approach resulted from Switzerland's insistence that its trust funds not be used there to help the government or expand food exports.

Today, more than 100 enterprises are receiving direct assistance from ITC in about 20 export-oriented projects worldwide. In each country, the approach has proved intensive in consultant time, but promising in its results. To what extent other enterprises not directly assisted will acquire the skills and know-how imparted is one of the questions that will determine the level of benefits.

The World Bank has been a particularly significant pioneer in introducing new methods and taking aim squarely at exporters' supply problems. Two grant funds set up in India under a 1986 export development project - the Productivity Fund, managed by an industrial development bank

(ICICI), and the Export Marketing Fund, managed by the Export-Import Bank of India - have largely completed the task of giving out US\$10 million each in matching grants to firms, in large part for supply-related consultant services. Now under a 1989 project, four new export development funds are being launched in India to provide similar grant assistance. A new project component in the Philippines will emphasize supply-related assistance to firms, as will the export support fund already in operation in Indonesia. However, these project components are exceptions. Old methods have persisted in technical assistance to manufactured exports in other countries.

#### The Trend Toward Cost Sharing

In trade promotion organizations in developed countries, perhaps the most striking trend has been toward charging for services, that is, cost sharing by service recipients. This practice has become widespread in Western Europe, is also becoming important in Australia and New Zealand, and is now being started in the United States. The change is being introduced in part as a response to tightening budget constraints as well as skepticism about the appropriateness of providing free official services in this area. Service charges are seen as a way of improving both the TPOs' responsiveness and their allocation of resources, while also serving to validate the usefulness of the services to business. In recent years charges for services covered 63 percent of TPO expenditures in Switzerland, 40 percent in Finland, 33 percent in Sweden, 20 percent in France, and 17 percent in Norway (ITC 1988). In the United Kingdom and elsewhere, information services are offered on a subscription basis.

In the case of assistance to developing countries, cost sharing is now an option in the EC's DG1 and DG8 programs and it is a key feature



of DeCTA's integrated project in India and of some of CBI's assistance. However, ITC has been slow to try cost sharing, even for enterprise-oriented assistance, and the U.N. system has no provision to enable participating firms to contribute to the costs of technical assistance. A proposal to introduce service charges as a potential option has been put before ITC's governing body.

### Concluding Remarks

This study shows that in developing countries with no more than partly favorable policies toward manufactured exports, outside assistance to services that promote and support manufactured exports has had little discernible impact on exports and has rarely been effective in expanding them. The principal reasons for this lack of impact appear to be after effects of inward-looking development policies, neglect of assistance to enterprises in the production and supply aspects of exporting, insufficient donor concern about the direct impact of their assistance on exports, and reliance on an inappropriate delivery mechanism.

We explain our recommendations on how to break out of this unhappy state of affairs in our companion paper.<sup>15</sup> 3. It suggests new guidelines for donor assistance, project components based on one or more of the new methods as they are now evolving, and new country policies paying that emphasize attention to services for exports.

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15 "Assisting Manufactured Exports through Services: New Methods and Improved Policies," already cited.

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